



CITY OF SAN ANTONIO

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An audit of the Youth Opportunity Program was initiated by the Internal Review Department in early 2002. A variety of audit work has continued on this project through August 2003. A formal report of issues, findings and recommendations is now being transmitted to the Governance Committee for your review.

The Department of Community Initiatives (DCI), Youth Opportunity Program (YO) staff, and the Finance Department (Finance) are recognized for their assistance provided during this audit. DCI and YO provided substantial information and material for the project; and they also spent many hours working with the auditors on the issues and findings.

An executive summary has been prepared to provide an overview about the program and audit conclusions. However, a summary cannot begin to explain the very complex nature of this audit project. It is untypical for an audit to require the amount of manpower resources expended for the Youth Opportunity Program Audit. Likewise, it is unusual that almost eighteen months would pass before a formal report would be available to a governing body.

Appropriate audit program planning and development, and proper resource management would have resulted in more timely completion of this project. We have already begun implementing improvements within the Internal Audit Office to address the areas of planning and resource management. Despite these interferences, substantial efforts have been made to focus on providing a fair and independent assessment of this program. Since March 2003, staff has been validating the original findings and issues. This process caused further analysis to be performed

in some areas, especially the accounting and financial reporting. From this process, additional findings and recommendations were identified which required inclusion in the report.

Following the executive summary are the recently updated responses from DCI and Finance. Incorporated into the detail report are their original responses received in June 2003. During the time that the draft report was under review by the City Staff, the Alamo Workforce Development, Inc. (AWD) was conducting a program review. For your consideration and information, the July 2003 AWD report has been attached with the DCI reply.

The City of San Antonio has managed this program for over three years. During this time about fifty percent of the over \$17.5 million in federal grant funds received have been expended for personal services. Grant guidelines gave the City adequate funding for program and fiscal management staff. The grant guidelines and contract also made the City accountable for various specific program and fiscal requirements. The Youth Opportunity activities are complex due to the number of personnel, clients, and transactions.

The grant amount and scope have resulted in reviews during the last three years by the grantee Alamo Workforce Development, Inc., by the external audit firms as part of the City's annual single audit, and by the City's internal audit department. Each of these entities had its own audit methodology based upon the desired objectives, and the level of detail examined was dependent on the objectives. In varying degrees all of the reviews of the YO Program have surfaced similar issues and findings.

This audit has provided greater depth and detail, especially in the areas of fiscal management and accounting. More broadly though issues of supervision, staffing, procedures, and training have been raised based upon the instances of errors and exceptions encountered. While there is always opportunity for improvement in how a program such as this is managed, fundamentally there must be accountability for compliance with contractual requirements and with basic financial and accounting controls.

Responsibility for establishing a suitable control environment primarily rests with the Director of DCI and the designated Manager for this program. The Director must ensure that his monitoring function staff adequately fulfills their on-going duties of evaluating the Program. The YO Manager must ensure that the programmatic, including case management and file maintenance, and fiscal requirements are complied with daily. The executive summary and detail report provide examples, which indicate a series of issues that need corrective action. More importantly though these instances indicate the potential for more significant errors and exceptions based upon the inadequacy of the control environment during the first three years of the program. The most critical would be expenditures that exceed the grant award for any year.

The City's Finance Department must also review the adequacy of its control environment as well. In the absence of detection and correction of errors and exceptions by DCI or YO Program staffs, Finance should have been monitoring and reviewing appropriations and expenditures or encumbrances. Pages E-1 and 33 show significant variances for years one through three in funds and expenditures. In addition, Finance must follow-up with DCI on the close out of years prior to the fourth, which started July 1, 2003.


Current examples to highlight the exceptions that both Finance and DCI should have detected and corrected are:

- Program Year One ended June 30, 2001 however the City's accounting records show that as of August 31, 2003 expenditures were \$9,084.82 greater than revenue available. This shortfall will probably be charged to the General Fund upon close out.
- Program Year Three ended June 30, 2003 however the City's accounting records show that as of August 31, 2003 expenditures exceed revenue by \$563,498.58.
- Program Year Four started July 1, 2003 however the City's accounting records show that as of August 31, 2003 expenditures of \$9,938.60 prior to the start date.

At this time, the audit staff has done only limited verification of the implemented corrective actions by DCI and Finance. We recommend that another audit of the Youth Opportunity Program be scheduled for next year. During the interim, City Council could request quarterly written and/or presentation briefings on the status of actions taken and the improvements made.

The staff and I are available to answer any questions or to discuss the report with you in more detail if you desire. We appreciate any comments or feedback that you would feel comfortable offering to us.

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia M. Major", with a stylized flourish at the end.

Patricia M. Major, CPA, CCM, CGFM
City Internal Auditor

Cc: Melissa Byrne Vossmer
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